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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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| OMB APPROVAL | |
| OMB Number: | 3235-0123 |
| Expires: | October 31, 2004 |
| Estimated average burden hours per response..... | 12.00 |

| |
|-----------------|
| SEC FILE NUMBER |
| 8-48775 |

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

FEB 27 2004

REPORT FOR THE PERIOD BEGINNING 01/01/03 AND ENDING 12/31/03
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: **BlackRock Distributors, Inc.**

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

760 Moore Road

(No. and Street)

King of Prussia

(City)

PA

(State)

19406

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Craig D. Stokarski(302) 791-3053

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

1700 Market Street, 25th Floor

(Address)

Philadelphia

(City)

PA

(State)

19103

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 29 2004

FOR OFFICIAL USE ONLY

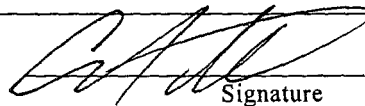
THOMSON
FINANCIAL

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

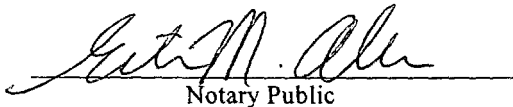
BB

OATH OR AFFIRMATION

I, Craig D. Stokarski, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of BlackRock Distributors, Inc., as of December 31, 2003, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:


Signature

Financial and Operations Principal
Title

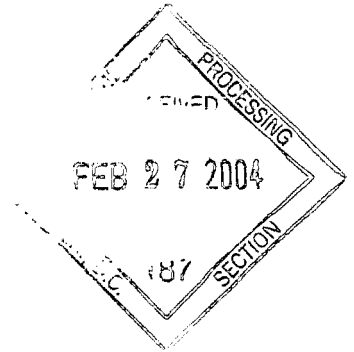

Notary Public

EILEEN M. ALLEN
NOTARY PUBLIC
STATE OF DELAWARE
My Commission Expires Jan. 10, 2003

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



BlackRock Distributors, Inc.
(SEC I.D. No. 8-48775)

**Independent Auditors' Report and
Supplemental Report on Internal Control**

**Financial Statements and Supplemental Schedules
For the Year Ended December 31, 2003**

**Filed Pursuant to Rule 17a-5(e)(3)
as a PUBLIC DOCUMENT**

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Financial Statements and
Supplementary Information

For the Year ended December 31, 2003

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Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103-3984
USA

Tel: +1 215 246 2300
Fax: +1 215 569 2441
www.deloitte.com

To the Stockholder of
Blackrock Distributors, Inc.

We have audited the accompanying statement of financial condition of Blackrock Distributors, Inc. (the "Company") as of December 31, 2003, and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2003, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules (g) and (h) listed in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. These schedules are the responsibility of the Company's management. Such schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "Deloitte & Touche LLP".

February 25, 2004

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Statement of Financial Condition

December 31, 2003

Assets

| | |
|---------------------|----------------------------|
| Cash | \$ 4,324,284 |
| Accounts Receivable | 29,166 |
| Prepaid expenses | <u>15,542</u> |
| Total assets | <u><u>\$ 4,368,992</u></u> |

Liabilities and stockholder's equity

Liabilities:

| | |
|----------------------|------------------|
| Accounts payable | \$ 3,178,708 |
| Intercompany payable | 27,711 |
| Accrued expenses | 25,600 |
| Income taxes payable | <u>62,777</u> |
| Total liabilities | <u>3,294,796</u> |

Stockholder's equity:

| | |
|---|------------------|
| Common stock, \$0.01 par value, 1,000 shares authorized; 100 shares issued and outstanding | 1 |
| Additional paid-in capital | 984,273 |
| Retained earnings | <u>89,922</u> |
| Total stockholder's equity | <u>1,074,196</u> |

| | |
|--|----------------------------|
| Total liabilities and stockholder's equity | <u><u>\$ 4,368,992</u></u> |
|--|----------------------------|

The accompanying notes are an integral part of these financial statements.

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Statement of Income

For the Year Ended December 31, 2003

Revenues:

| | |
|-------------------|-------------------|
| Distribution fees | \$ 13,413,433 |
| Service fees | 379,166 |
| Interest income | <u>6,651</u> |
| Total revenue | <u>13,799,250</u> |

Expenses:

| | |
|---------------------------------|-------------------------|
| Distribution expenses | 13,413,433 |
| Allocated support services | 173,341 |
| Professional and other services | 58,335 |
| General office expenses | 4,130 |
| Other expenses | <u>32</u> |
| Total expenses | <u>13,649,271</u> |
| Income before income taxes | 149,979 |
| Provision for income taxes | <u>65,166</u> |
| Net income | <u><u>\$ 84,813</u></u> |

The accompanying notes are an integral part of these financial statements.

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Statement of Changes in Stockholder's Equity

For the Year Ended December 31, 2003

| | <u>Common Stock</u> | | <u>Additional</u> | <u>Retained</u> | <u>Total</u> |
|----------------------------------|---------------------|---------------|-------------------|------------------|----------------------|
| | <u>Shares</u> | <u>Amount</u> | <u>Paid-in</u> | <u>Earnings</u> | <u>Stockholder's</u> |
| | | | <u>Capital</u> | | <u>Equity</u> |
| Balances at January 1, 2003 | 100 | \$ 1 | \$ 534,273 | \$ 5,109 | \$ 539,383 |
| Cash contributions | - | - | 450,000 | - | 450,000 |
| Net income | <u>-</u> | <u>-</u> | <u>-</u> | <u>84,813</u> | <u>84,813</u> |
| Balances at December 31, 2003 | <u>100</u> | <u>\$ 1</u> | <u>\$ 984,273</u> | <u>\$ 89,922</u> | <u>\$ 1,074,196</u> |

The accompanying notes are an integral part of these financial statements.

BlackRock Distributors, Inc.

(A Wholly-owned subsidiary of PFPC Distributors, Inc.)

Statement of Cash Flows

For the Year Ended December 31, 2003

Cash flows from operating activities:

| | | | |
|--|----|-----------|-------------------------|
| Net income | | \$ | 84,813 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Increase in accounts receivable | \$ | (29,166) | |
| Decrease in intercompany receivable | | 453,997 | |
| Increase in prepaid expenses | | (15,542) | |
| Decrease in accounts payable | | (145,576) | |
| Increase in intercompany payable | | 24,741 | |
| Increase in accrued expenses | | 25,600 | |
| Increase in income taxes payable | | 62,777 | |
| Total adjustments | | | <u>376,831</u> |
| Net cash provided by operating activities | | | <u>461,644</u> |
| Cash flows from financing activities: | | | |
| Cash contributions | | | <u>450,000</u> |
| Net cash provided by financing activities | | | <u>450,000</u> |
| Net increase in cash | | | 911,644 |
| Cash at beginning of year | | | <u>3,412,640</u> |
| Cash at end of year | | \$ | <u><u>4,324,284</u></u> |
| Supplemental cash flows disclosure: | | | |
| Income tax refunds | | \$ | <u><u>2,389</u></u> |

The accompanying notes are an integral part of these financial statements.

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Notes to Financial Statements

December 31, 2003

1. Organization

BlackRock Distributors, Inc. (the "Company") is a wholly-owned subsidiary of PFPC Distributors, Inc. ("PFPCDI") and an indirect wholly-owned subsidiary of PFPC Inc. (the "Parent"), PFPC Trust Company ("Trust Co.") and The PNC Financial Services Group, Inc. ("PNC" or the "Corp."), a publicly traded company. The Company is registered with the Securities and Exchange Commission ("SEC") as a broker-dealer and is a member of the National Association of Securities Dealers.

The Company serves solely as distributor and principal underwriter to BlackRock Funds (the "Funds") and, as a result, substantially all of the Company's revenues are earned from the Funds (see Note 5).

2. Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash - Cash is generally held in a money market demand account.

Accounts Receivable - Accounts receivable includes amounts due from clients for the performance of distribution and support services.

Revenue Recognition - The Company earns distribution fee revenue from various funds based on a percentage of outstanding net assets of certain classes of shares of such funds. Monies from distribution fees are generally remitted to external brokers who distribute the shares of these funds to investors. The revenue and expense associated with these fees are included as "Distribution fees" and "Distribution expenses," respectively, in the statement of income. Revenue from service fees is recognized in the period the service is rendered.

Interest Income - Interest income is earned on cash invested in money market demand accounts and is recognized when earned.

Out-of-Pocket Expenses - The Company records reimbursements from clients for out-of-pocket expenses in accordance with Emerging Issues Task Force Issue No. 01-14, "Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred."

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Notes to Financial Statements (continued)

December 31, 2003

2. Significant Accounting Policies (continued)

Companies that provide services as part of their central ongoing operations generally incur incidental expenses that, in practice, are commonly referred to as "out-of-pocket" expenses. These expenses often include, but are not limited to, expenses related to travel, telecommunications, postage, delivery and bank depository charges. In many cases, the Company and the client agree that the client will reimburse the Company for the actual amount of such expenses incurred. Reimbursements received for out-of-pocket expenses incurred are characterized as "Service fees," while the expenses are included within "Expenses" in the statement of income.

Fair Value of Financial Instruments - Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures about Fair Value of Financial Instruments," requires the disclosure of the estimated fair values of financial instruments. Substantially all of the Company's assets and liabilities are considered financial instruments, as defined by SFAS 107. Fair value is defined as the price at which a financial instrument could be liquidated in an orderly manner over a reasonable time period under present market conditions.

SFAS 107 requires that the fair value of financial instruments be estimated using various valuation methodologies. Quoted market prices, when available, are used as the measure of fair value. The estimated fair value of financial instruments that have a short-term maturity may approximate the carrying amount of such financial instruments.

The Company's financial instruments are short-term in nature. Consequently, carrying amounts of these assets and liabilities approximated estimated fair value. The Company considers the amounts recorded for the financial instruments on the balance sheet to be reasonable estimates of fair value.

New Accounting Pronouncement - In January 2003, the FASB issued Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51." This interpretation provides guidance on the identification of, and financial reporting for, entities over which control is achieved through means other than voting rights. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003 and to variable interest entities that existed prior to that date in the first fiscal year or interim period beginning after June 15, 2003. Certain of the disclosure requirements apply to all financial statements issued after January 31, 2003, regardless of when the variable interest entity was established. The adoption of FIN 46 did not have any impact on its results of operations, financial position, liquidity or disclosure requirements.

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Notes to Financial Statements (continued)

December 31, 2003

3. Net Capital Requirements

The Company is subject to the SEC's Uniform Net Capital Rule (the "Rule"), which requires the maintenance of minimum net capital. The Company has elected to use the basic method permitted by the Rule, which requires that the Company maintain minimum net capital equal to the greater of \$25,000 or 6 2/3% of aggregate indebtedness, as defined. The Rule also requires that aggregate indebtedness not exceed 15 times net capital. The SEC requirements provide that equity capital may not be withdrawn or cash dividends paid if certain minimum net capital requirements are not met. At December 31, 2003, the Company had net capital of \$1,029,488, which was \$809,835 in excess of the required net capital of \$219,653. The Company's resulting ratio of aggregate indebtedness to net capital was 3.20 to 1.

The Company has complied with the exemptive provisions of SEC Rule 15c3-3(k)(1), limiting business to the distribution of mutual funds and/or variable life insurance or annuities. The Company does not hold customer funds or safekeep customer securities.

4. Income Taxes

The operating results of the Company are included in the consolidated U.S. Federal tax returns of the Corp. and its subsidiaries. For state tax purposes, the Company either was included in the combined tax returns of Trust Co. and its subsidiaries or filed separate company returns. Federal income taxes are calculated as if the Company filed a separate federal income tax return.

The income tax expense included in the statement of income as determined in accordance with SFAS No. 109, "Accounting for Income Taxes," is as follows:

| | |
|----------------------------|-----------------|
| At December 31, 2003 | |
| Federal | \$45,669 |
| State | <u>19,497</u> |
| Total income tax provision | <u>\$65,166</u> |

The provision for federal income taxes is different from the amount which would be provided by applying the federal statutory income tax rate of 35 percent to income before income taxes, primarily as a result of the federal deductibility of state income taxes.

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Notes to Financial Statements (continued)

December 31, 2003

5. Related Party Transactions

Related party revenues of \$13,792,599 were generated by providing distribution and administrative support services to affiliated open-end investment companies. At December 31, 2003, \$29,166 of revenue was accrued for services performed for affiliated open-end investment companies. This balance was included in "Accounts receivable" on the statement of financial condition.

The financial statements are prepared from the separate records maintained by the Company. The Company shares office space and equipment with the Parent, which is under common control of the Corp. Accordingly, the Company has been charged for such shared costs. The Parent, the Corp. and certain other affiliates provide administrative, legal, human resource and other general support services, the cost of which is also allocated to the Company. For the year ended December 31, 2003, these allocations totaled \$173,341, which are included in "Allocated support services" in the statement of income. At December 31, 2003, amounts payable to the Parent totaled \$27,711, which are included in "Intercompany payable" in the statement of financial condition.

The income taxes payable of \$62,777, as recorded on the statement of financial condition, is an intercompany payable. For the year ended December 31, 2003, income tax refunds of \$2,389 were received from the Corp. and Trust Co.

In January 2003, PFPCDI contributed capital of \$450,000 to the Company.

The Company is party to a Master Sale and Servicing agreement with an affiliate, PNC Investment Corp. ("PNCIC"). Under this agreement, PNCIC advances commissions on B and C share funds to third parties in exchange for rights to future cash flows collected by the funds.

The members of the Board of Directors of the Company are employees of the Parent or Trust Co. For the year ended December 31, 2003, the Board members did not receive any remuneration for their services.

Supplementary Information

BlackRock Distributors, Inc.
(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Computation of Net Capital under SEC Rule 15c3-1

December 31, 2003

Net Capital:

| | |
|---|----------------------------|
| Stockholder's equity | \$ 1,074,196 |
| Deduction for nonallowable assets: | |
| Accounts receivable | 29,166 |
| Prepaid assets | 15,542 |
| | <u>1,029,488</u> |
| Net capital before haircuts on securities positions | 1,029,488 |
| Haircuts | <u>-</u> |
| Net capital | <u><u>\$ 1,029,488</u></u> |

Aggregate Indebtedness:

| | |
|---|----------------------------|
| Items included in statement of financial condition: | |
| Accounts payable | \$ 3,178,708 |
| Intercompany payable | 27,711 |
| Accrued expenses | 25,600 |
| Income taxes payable | 62,777 |
| | <u>62,777</u> |
| Total aggregate indebtedness | <u><u>\$ 3,294,796</u></u> |

Computation of Basic Net Capital Requirement:

| | |
|--|--------------------------|
| Minimum net capital required (greater of 6 2/3% of aggregate indebtedness or \$25,000) | <u><u>\$ 219,653</u></u> |
| Net capital in excess of required minimum | <u><u>\$ 809,835</u></u> |
| Excess net capital @ 1000% (net capital less 10% of aggregate indebtedness) | <u><u>\$ 700,008</u></u> |
| Ratio of aggregate indebtedness to net capital | <u><u>3.20 to 1</u></u> |

Statement Pursuant to SEC Rule 17a-5(d)(4):

A reconciliation of the above computation to the computation of net capital under SEC Rule 15c3-1, as of December 31, 2003, filed by BlackRock Distributors, Inc. in its FOCUS Part IIA Report is not required as the computations are not materially different.

BlackRock Distributors, Inc.

(A Wholly-owned Subsidiary of PFPC Distributors, Inc.)

Determination of Reserve Requirement Under Rule 15c3-3

December 31, 2003

The Company has elected the exemption under Rule 15c3-3(k)(1) of the Securities and Exchange Commission, limiting business to the distribution of mutual funds and /or variable life insurance or annuities. At December 31, 2003, the Company held no customer funds and had no required deposit.



Deloitte & Touche LLP
1700 Market Street
Philadelphia, PA 19103-3984
USA

Tel: +1 215 246 2300
Fax: +1 215 569 2441
www.deloitte.com

February 25, 2004

The Board of Directors
BlackRock Distributors, Inc.

In planning and performing our audit of the financial statements of BlackRock Distributors, Inc. (the "Company"), for the year ended December 31, 2003, (on which we issued our report dated February 19, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by rule 17a-5(g)(1) under the Securities Exchange Act of 1934, we have made a study of the practices and procedures followed by the Company, including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and the recordation of differences required by 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Securities and Exchange Commission's (the "Commission") above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized acquisition, use, or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedure may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control and its operation (including control activities for safeguarding securities), that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

Deloitte & Touche LLP